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DEFENSE MANAGEMENT REPORT DECISION

974

No.

SUBJECT: Civilian Personnel Administration Efficiencies

DOD COMPONENTS: Army, Navy, Air Force, Defense Agencies

ISSUE: Identify implementation actions and related savings resulting from the centralized provision of certain common civilian personnel administrative functions with the Department.

	(TOA, Dollars in Millions)		
	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>
Service Estimate			
Alternative Estimate	-	-.76	-2.96

SUMMARY OF EVALUATION: In 1991, the Deputy Secretary directed the Assistant Secretary of Defense for Force Management and Personnel (ASD(FM&P)) to determine if economies and efficiencies could be achieved by restructuring civilian personnel administration in the Department. In turn, the ASD(FM&P) convened a Steering Group to oversee a comprehensive review of DoD civilian personnel regulations and functions.

The first phase of the study recommended consolidation of common civilian personnel regulations. This recommended action was adopted in DMRD 974, dated December 13, 1991. The DMRD also tasked the Steering Group to study the consolidation of a number of common civilian personnel administrative functions and support services presently provided separately by each Component. Of the 15 common functions reviewed, the Steering Group recommended that the following functions be consolidated and performed by OSD (Defense Civilian Personnel Center) or executive agents of OSD -- special pay rate determinations, classification appeals and reviews, civilian EEO training, technical field advisory services, injury and unemployment compensation claims, complaint and grievance investigations, senior executive training, relocation services, and benefits administration.

In addition to approving the above common administrative functions, this DMRD provides for transition teams, under the auspices of the Defense Civilian Personnel Center (DCPC), to develop a detailed implementation plan.

ALTERNATIVE ESTIMATE: Approves the consolidation of 10 common civilian personnel functions resulting in savings of \$.76 million in FY 1994 and a total of \$26.36 million and 51 civilian end strength reductions by FY 1999.

THE DEPUTY SECRETARY APPROVED
DECISION THE ALTERNATIVE ESTIMATE.

Date 12/15/92

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DMRD Continuation Sheet

974

No.

DETAIL OF EVALUATION:

The Deputy Secretary of Defense approved the first iteration of this DMRD on December 13, 1991. In it, he determined that significant efficiencies could be realized by consolidating common Component civilian personnel regulations and administrative functions (along with the staff resources associated with those activities) in a single DoD support organization. That determination was based on an unprecedented review of the Department's civilian personnel management structure. This comprehensive Civilian Personnel Efficiencies (CPE) study was conducted by ASD(FM&P), who chaired a Steering Group comprised of the DoD General Counsel, Comptroller, Director of Administration and Management, and the Assistant Secretaries for Manpower and Personnel from the three Military Departments to oversee the effort.

In the first phase of the CPE study, the Steering Group established nine task groups, each made up of OSD and Component staff experts and led by a senior OSD or Component executive. Each group examined a particular civilian personnel management functional area, analyzing and identifying common regulations among DoD Components. Traditionally, each Component had always developed, issued, and administered its own separate set of civilian personnel regulations, directives, and other publications, and the task groups reviewed each separate issuance (over 30,000 pages). They found that in almost all cases, Component personnel regulations were duplicative, with little or no substantive differences among them in any given area. They also found that in many cases, those separate Component regulations merely restated civil service laws and OPM rules that were binding on the entire Department. Based on these findings, the CPE Steering Group recommended the consolidation of those common regulations into a single DoD civilian personnel manual.

In approving that recommendation, the Deputy Secretary further tasked the Steering Group to study a number of civilian personnel staff functions and services identified as common to all DoD Components. The Steering Group, in turn, charged the Military Departments and select Defense Agencies to separately review some 15 common functions to determine if additional savings could be realized by their consolidation.

On July 28, 1992, the Steering Group reviewed the results of five efficiency studies and recommended consolidation of the studied functions: special pay rate determinations, unemployment compensation claims processing, classification appeals and reviews, civilian EEO training, and grievance and complaint investigations. All members of the Steering Group coordinated on the official minutes of that meeting which reflected these recommendations. Subsequently, on September 16, 1992, the Steering Group reviewed the results of an additional six studies, recommending the consolidation of four of those functions (injury compensation claims processing; senior executive training; benefits administration; and relocation services), and the restructuring of two functions (personnel

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DMRD Continuation Sheet

974

No.

management evaluations and civilian training). All members of the Steering Group, except the Air Force representative, coordinated on the official minutes of that meeting reflecting these recommendations. This DMRD addresses additional budgetary savings associated with consolidation of these common administrative functions.

The CPE study has clearly established (1) that the separate sets of civilian personnel policy regulations, directives, and manuals developed and administered by the Department are derived from a common, uniform body of civil service laws and other external authorities that are binding on the Department, (2) that these same external authorities require certain common civilian personnel administrative functions and support services that have been separately provided by the Military Departments and Defense Agencies, (3) that, because of their common statutory and regulatory base, many of these separate Component regulations and functions are duplicative and therefore redundant; and (4) that significant improvements in efficiency and effectiveness, including substantial staff and overhead savings, can be achieved by consolidating these common regulations and functions in OSD.

In light of its current and expected fiscal environment, the Department can no longer afford the luxury of maintaining separate Component staffs to support common civilian personnel regulations and functions. Defense Agencies will be particularly hard pressed to sustain the basic overhead and support staffs needed to continue to perform these functions and services independently. The Department must implement a more streamlined civilian personnel administrative structure, one that eliminates those regulations that are unnecessary, consolidates those that are duplicative, and delegates maximum management authority to Component heads. To achieve this end, the following functions and/or services are to be consolidated and or restructured as described below.

Special Pay Rate Determinations. Under current law, the Secretary may approve higher pay rates for DoD employees in certain health care occupations, and may request that OPM approve higher rates for other hard-to-fill job categories in certain geographic locations. These requests are processed in accordance with governmentwide OPM rules and criteria and require specialized documentation and analysis of area labor markets and pay rates; however, they are currently developed by a requesting installation on an as needed basis, and they are subject to lengthy general review by Component intermediate echelon and headquarters staff (amounting to 8 FTEs). The scarcity of base-level expertise, combined with extensive layers of review, prevents operating managers from dealing effectively with fluctuations in local labor markets. The Alternative Estimate assigns this responsibility to the DoD Wage Fixing Authority (now part of the Defense Civilian Personnel Center (DCPC)). With its resident expertise, the Wage Authority can perform this common function,

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FOR OFFICIAL USE ONLY
DMRD Continuation Sheet

974

No.

beginning in FY 1993, for the Components. Full operation (4 FTEs) will result in a 50 percent savings and significantly improve processing time and responsiveness.

Classification Appeals and Reviews. By law, employees may appeal the classification of their positions when they are dissatisfied with the application of governmentwide classification standards. The employee may elect final adjudication by the agency or OPM. When appropriate, DoD must conduct a consistency review to ensure that like positions are similarly classified throughout the Department. Currently, Component headquarters and intermediate echelon staffs (amounting to a total of 4 FTEs) separately review their own appeals and conduct their own consistency reviews. Since governmentwide classification standards must be applied consistently across Components, this function can be more effectively performed by the DCPC with 2 FTEs, a savings of 50 percent.

Civilian Equal Employment Opportunity Training. Component Equal Employment Opportunity (EEO) programs are subject to uniform anti-discrimination laws, as well as common program directives issued by the Office of Personnel Management and the Equal Employment Opportunity Commission. Civilian EEO program managers, specialists, and counselors must be trained in these various legal and regulatory requirements. Currently, each Component separately provides such training with in-house courses and faculty and/or by contract. Overlapping courses, redundant overhead, and duplicative support staffs result in excessive training costs, as well as inconsistent training content. This training can be more efficiently and effectively delivered by the Defense Equal Opportunity Management Institute (DEOMI), under the supervision of the DCPC for course content. DEOMI will begin this effort in FY 1993 with 3 FTEs provided on an interim basis by Air Force (which currently resources DEOMI). With full staff support, provided by additional realignments in FY 1994 (6 FTEs), per student training costs will be halved, an estimated annual savings of over \$300,000. In this regard, DEOMI is instructed to make maximum use of new training technologies and its mobile training capability to deliver high quality/low cost training to Components in this important area.

Technical Field Advisory Services. At present, each Component maintains separate, independent staffs to provide field activities with technical advice, training, and implementing guidance on certain civilian personnel regulations and policies that are common throughout the Department (and in some cases, the entire Federal Government). For example, while civilian employee entitlements and benefits are almost exclusively governed by various statutes and OPM regulations, each Component has staff who assist their field activities in interpreting and applying those uniform laws and regulations. Clearly, where personnel regulations and policies are common throughout the Department, an objective mandated by the Deputy Secretary in the first iteration of this DMRD, these separate "field advisory" staff functions are redundant. In this regard, the Steering Group determined that civilian personnel regulations and

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DMRD Continuation Sheet

974

No.

policies that are common to DoD should be interpreted and applied in a common, consistent manner throughout the Department, and it concluded that the Department could realize substantial efficiencies by providing this common field advisory function through a single OSD-level technical support staff. It also concluded that a single support staff would provide greater technical expertise, consistency, and responsiveness to field activities, especially if it made maximum use of state-of-the-art information technology. At the same time, the Steering Group recognized that Component Heads would have a continuing need for general staff advice on civilian personnel matters, and it determined that, while Components may have to restructure some of their headquarters staff positions and organizations, they should retain sufficient staff resources to meet this requirement.

Applying these principles, the Steering Group found that four of the 9 civilian personnel functional areas examined by the CPE study (labor relations and other third party dispute matters, entitlements and benefits, compensation, and position classification) were already almost entirely regulated from outside the Department, and that a single DoD technical support staff should be established as soon as possible to provide advisory services (interpretive advice, implementing guidance, training and related activities) to all field installations in these four areas. The Alternative Estimate reflects the realignment and consolidation of 79 FTE staff resources to do so, with an expected savings of over 20 percent in staff position by FY 1997. Note that Component Heads continue to retain substantial headquarters and intermediate echelon staff resources to provide them staff advice and guidance on Component-unique civilian personnel matters. However, as additional DoD-wide policies are issued in other civilian personnel functional areas, the Department will identify Component staff resources associated with field advisory services in these areas for realignment as appropriate.

Injury and Unemployment Compensation Claims. By law, DoD compensates civilian employees who are injured on the job. Injury compensation claims are processed and adjudicated by the Department of Labor, who bills DoD for approved claims. DoD currently pays in excess of \$500M in injury compensation claims. Two Components (Army and Air Force) have significantly reduced compensation cost growth by establishing oversight staffs (in some cases, colocated with Labor Department offices) to review, verify, and where appropriate, contest erroneous claims. Using this approach, Air Force has saved over \$10.5M since FY 1987. Comparable savings can be achieved by adopting this model across the Department. Separately implemented by each Component, it would require 44 FTEs. The Defense Civilian Personnel Center can accomplish this common function centrally with 36 FTEs, a savings of about 20 percent in reduced overhead and staff costs. This capitalizes all Component staff resources in place so as to minimize any adverse impact in transition; an additional 6 FTE savings are projected by FY 1996 as economies of scale are realized.

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FOR OFFICIAL USE ONLY
DMRD Continuation Sheet

974

No.

Similarly, DoD provides unemployment compensation to employees separated under conditions such as reduction-in-force. Unemployment claims are processed and paid by state governments, who in turn bill DoD through the Department of Labor. One Component (Air Force) has significantly reduced claims costs by arranging for itemized state bills and by establishing an oversight staff to review, verify, and where appropriate, contest erroneous claims. Savings to date have exceeded \$2M. Comparable savings can be achieved by adopting this model across the Department. Separately implemented by each Component, it would require 10 FTEs, as well as separate Component arrangements with each state. The Defense Civilian Personnel center can accomplish this function centrally with 5 FTEs, a savings of 50 percent in staff costs.

Complaint and Grievance Investigations. Equal Employment Opportunity Commission (EEOC) regulations require all Components to conduct an impartial investigation of alleged violations of the Civil Rights Act and other anti-discrimination laws. These regulations uniformly govern complaint and appeal rights, investigative procedures, and time limits. Similarly, certain employee grievances are filed, investigated, and decided in accordance with uniform OPM regulations. At present, each Component separately provides for the impartial investigation of a complaint or grievance, preparing an investigative file that is submitted to an agency deciding official for disposition. The Military Departments employ in-house investigative staff (Army and Air Force have separate investigatory agencies established for this purpose), while Defense Agencies rely on contract investigators. Over 156 FTEs are currently expended on complaint and grievance investigations. The Defense Civilian Personnel Center can perform this investigatory function with 134 FTEs (an additional 14 FTE savings are projected by FY 1996) with savings achieved by eliminating redundant overhead, maximizing scale economies and staff expertise, delegating more authority to base commanders, and employing state-of-the-art dispute resolution techniques. In any case, final Component decision authority would not be disturbed. Note that Component case backlogs were not considered as a factor in the consolidation study.

Senior Executive "Joint"-Training. All Components separately provide training and orientation programs for new members of the civilian Senior Executive Service (SES) in an effort to broaden their knowledge of Component and Department operations. Most of their emphasis is internal to the particular Component, with less focus on the DoD-wide aspects of executive leadership. However, with increasingly standard systems for planning, programming, budgeting, acquisition, logistics, supply, and information, financial and personnel management in the Department, there is a critical need for a more "corporate" approach to such training. This is especially important in an operational environment that requires coordinated, multi-Component support of joint operations, and more than justifies the estimated cost of such a program (4 FTEs to support a one-week orientation plus two issues seminars - one on domestic issues and one on international issues, with operating costs funded by tuition. The

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DMRD Continuation Sheet

974

No.

Washington Headquarters Services, in conjunction with the Defense Civilian Personnel Center, will design and field such a course by January 1, 1994, to coincide with the high turnover of senior executives expected at that time. Separate Component SES training should be modified to complement the DoD course and to otherwise avoid duplication.

Relocation Services. By law, the various types of assistance provided to civilian employees relocating as a result of a Permanent Change of Station (PCS) are enumerated and controlled by government-wide regulations issued by the General Services Administration. At present, Components separately provide this assistance by contract, with the three Military Departments each maintaining their own separate contract (each with a different pricing scheme) and separate administrative staffs. Defense Agencies "ride" one of those contracts on an as needed basis. A total of 8 FTEs is dedicated to this function. A single DoD-wide contract would establish the most advantageous pricing structure for relocation services and could also provide a volume discount; it would also require only 4 FTEs to administer, eliminating redundant staff for a 50 percent savings. This common function is best performed by the Army Corps of Engineers, coincident with its Homeowner Assistance Program responsibilities.

Personnel Management Evaluation. The Office of Personnel Management requires the Department and its Components to ensure that activities comply with civil service laws and government-wide personnel regulations. At present, each Component separately administers its own evaluation program for this purpose, but those programs employ a traditional methodology that focuses on procedural compliance rather than outcomes. Significant efficiencies can be realized by adopting a new PME methodology, one that applies the principles of Total Quality Management -- including greater reliance on statistical process control through the Department's standard civilian personnel data system. The Navy, in conjunction with the DCPC, will design and develop this new methodology by the end of FY 1993. Resource adjustments and final implementation are deferred pending completion of that effort.

Benefits Administration. Each Component separately orders and distributes OPM and other standard government-wide materials informing employees of their various statutory entitlements and benefits (such as health insurance brochures, OPM retirement counseling letters, etc). This common function can be performed more efficiently on a centralized basis by the DCPC, using resources already realigned to provide field advisory services in this functional area.

Civilian Training. Components currently provide technical, functional, and managerial training to over half of the Department's civilian workforce at an annual cost in excess of \$500M. Much of this training concerns techniques, policies, practices, and procedures that are standard across the Department (for example, most

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FOR OFFICIAL USE ONLY
DMRD Continuation Sheet

974

No.

functional training in civilian personnel involves government-wide rules and regulations). Several OSD functional communities, including acquisition and financial management, have undertaken the development of standard training requirements and delivery systems. Others, such as information management, have recently initiated similar efforts. However, there a number of functional communities in which each Component separately provides training, including course development and delivery that, had the requirements been standardized, would be duplicative. In some cases, entire Component operated training facilities may be redundant.

Where duplicative training courses are offered by different Components, open competition among them can engender significant efficiencies. At present, such competition is inhibited by restrictive policies that provide a particular Component's training facilities with a "captive audience" of its own employees. In addition to the standardization of requirements and courses already developed for acquisition and financial management, the Department should conduct a pilot test in FY 1993 for such competition among a select number of other common Component functional, technical, and managerial training courses. To be led by Army, in conjunction with DCPC, this test should involve OSD functional communities in the identification of common requirements and courses. Test courses will be cataloged according to content, cost, and quality, so that managers may choose among them. The Comptroller will assist by developing a pilot reimbursement mechanism to support the competition. Results will be reported to the ASD(FM&P) by September 1, 1993.

Implementation Requirements. Manpower for processing special rate requests, processing classification appeals and conducting and/or overseeing classification consistency reviews, and developing a civilian Equal Employment Opportunity training curriculum will be capitalized in FY 1993. Resources for the remaining common functions identified will be capitalized in FY 1994. In FY 1993, the DCPC will establish teams to develop detailed transition plans and begin transition efforts. Components will provide the staff for the transition teams. Certain Components may be designated by the ASD(FM&P) to serve as transition agents in this regard. The DMRD transition teams will develop detailed functional operating procedures and time-phased plans for capitalization, to include organization and staffing structures and the identity of specific individuals/offices to be transferred, and will coordinate actions within the Center and the Office of the Deputy Assistant Secretary of Defense for Civilian Personnel Policy and Equal Opportunity.

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DMRD Continuation Sheet

974

No.

SUMMARY OF ADJUSTMENTS:

(TOA, Dollars in Millions)

	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>TOTAL</u>
<u>O&M</u>							
Army	-8.00	-8.30	-8.60	-8.90	-9.20	-9.50	-52.50
Navy	-8.60	-8.80	-9.00	-9.30	-9.60	-9.90	-55.20
Air Force	-4.30	-4.50	-4.70	-4.90	-5.10	-5.30	-28.80
(DEOMI)	(+.50)	(+.50)	(+.50)	(+.50)	(+.50)	(+.50)	(+3.00)
(Other)	(-4.80)	(-5.00)	(-5.20)	(-5.40)	(-5.60)	(-5.80)	(-31.80)
DeCA	-.06	-.06	-.06	-.06	-.06	-.06	-.36
DCAA	-.06	-.06	-.06	-.06	-.06	-.06	-.36
DFAS	-.14	-.14	-.14	-.14	-.14	-.14	-.84
DISA	-.06	-.06	-.06	-.06	-.06	-.06	-.36
DIS	-.06	-.06	-.06	-.06	-.06	-.06	-.36
DLA	-.56	-.56	-.56	-.56	-.56	-.56	-3.36
DMA	-.06	-.06	-.06	-.06	-.06	-.06	-.36
WHS	+.14	+.14	+.14	+.14	+.14	+.14	+.84
DODDS	-.30	-.30	-.30	-.30	-.30	-.30	-1.80
SUPPORT ORG	+.40	+.40	+.40	+.40	+.40	+.40	+2.40
DCPC (DLA/DSA)	+20.90	+19.40	+17.70	+18.30	+18.90	+19.50	+114.70
Total	-.76	-2.96	-5.36	-5.56	-5.76	-5.96	-26.36

(Civilian End Strength)

	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>
Army	-100	-100	-100	-100	-100	-100
Navy	-107	-107	-107	-107	-107	-107
Air Force	-54	-54	-54	-54	-54	-54
(DEOMI)	(+6)	(+6)	(+6)	(+6)	(+6)	(+6)
(Other)	(-60)	(-60)	(-60)	(-60)	(-60)	(-60)
DeCA	-1	-1	-1	-1	-1	-1
DCAA	-1	-1	-1	-1	-1	-1
DFAS	-2	-2	-2	-2	-2	-2
DISA	-1	-1	-1	-1	-1	-1
DIS	-1	-1	-1	-1	-1	-1
DLA	-8	-8	-8	-8	-8	-8
DMA	-1	-1	-1	-1	-1	-1
WHS	+2	+2	+2	+2	+2	+2
DODDS	-5	-5	-5	-5	-5	-5
SUPPORT ORG	+7	+7	+7	+7	+7	+7
DCPC (DLA/DSA)	+262	+242	+221	+221	+221	+221
Total	-10	-30	-51	-51	-51	-51

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